

DES MOINES COUNTY

Independent Auditors' Reports
Basic Financial Statements
and Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2006

DES MOINES COUNTY

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DES MOINES COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Edgar Blow	Board of Supervisors	January 2007
Timothy Hoschek	Board of Supervisors	January 2009
Robert Beck	Board of Supervisors	January 2009
Carol S. Copeland	County Auditor	January 2009
Brenda A. Buck	County Treasurer	January 2007
Kathryn S. Waterhouse	County Recorder	January 2007
Mike Johnstone	County Sheriff	January 2009
Patrick C. Jackson	County Attorney	January 2007
Michael Anderson	County Assessor	January 2010



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Independent Auditors' Report

To the Officials of Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Des Moines County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County at June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2007 on our consideration of Des Moines County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Des Moines County's basic financial statements. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Theobald Donohue & Thompson, P.C.

Mt. Pleasant, Iowa
March 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Des Moines County provides this Management's Discussion and Analysis of Des Moines County's financial statements. This narrative overview and analysis of the financial activities of Des Moines County is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 0.7%, or approximately \$167,000 from fiscal 2005 to fiscal 2006. Property tax increased approximately \$123,000, operating grants, contributions and restricted interest decreased approximately \$884,000, capital grants, contributions and restricted interest decreased approximately \$488,000, and charges for services increased approximately \$735,000.
- Program expenses were 9.7%, or approximately \$1,923,000, more in fiscal 2006 than in fiscal 2005. Mental health expense increased approximately \$468,000 and administration increased approximately \$1,074,000.
- The County's net assets increased 5%, or approximately \$1,269,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Des Moines County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Des Moines County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Des Moines County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's combined net assets increased from \$26.8 million to \$28.0 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 19,885	18,885
Capital assets	21,670	20,721
Total assets	41,555	39,606
Long-term liabilities	1,470	1,023
Other liabilities	12,037	11,804
Total liabilities	13,507	12,827
Net assets:		
Invested in capital assets	21,670	20,721
Restricted	2,913	2,717
Unrestricted	3,465	3,341
Total net assets	\$ 28,048	26,779

Net assets of Des Moines County's governmental activities increased by \$1,269,000 (\$26.8 million compared to \$28.0 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from \$3,341,000 at June 30, 2005 to \$3,465,000 at the end of this year.

This increase of \$124,000 in unrestricted net assets was mainly a result of adding infrastructure to our capital assets. The County has adopted a five year plan to replace aging equipment and infrastructure.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 2,355	1,620
Operating grants, contributions and restricted interest	6,192	7,076
Capital grants, contributions and restricted interest	355	843
General revenues:		
Property tax	10,764	10,641
Penalty and interest on property tax	157	117
State tax credits	496	518
Local option sales tax	1,343	1,363
Grants and contributions not restricted to specific purposes	215	505
Unrestricted investment earnings	498	227
Other general revenues	598	230
Total revenues	22,973	23,140
Program expenses:		
Public safety and legal services	4,804	4,776
Physical health and social services	2,207	2,192
Mental health	3,660	3,192
County environment and education	1,116	1,027
Roads and transportation	4,181	4,292
Governmental services to residents	910	683
Administration	4,687	3,614
Interest on long term debt	30	33
Non-program	137	-
Total expenses	21,732	19,809
Increase in net assets	1,241	3,331
Net assets beginning of year, as restated	26,807	23,448
Net assets end of year	\$ 28,048	26,779

Des Moines County's governmental activities net assets increased by approximately \$1,269,000 during the year. Revenues for governmental activities decreased by approximately \$167,000 over the prior year, with property tax revenue up from the prior year by approximately \$123,000, or 1 percent.

The County decreased property tax rates for 2006 by an average of 6 percent; however due to increases in the total assessed valuation, property tax revenue increased by approximately \$123,000. Based on decreases in the levy rates, property tax revenue is budgeted to decrease by an additional \$419,000 next year.

The cost of all governmental activities this year was \$21.7 million, compared to \$19.8 million last year. However, as shown in the Statement of Activities on page 12, the amount taxpayers ultimately financed for these activities was only \$12.8 million because some of the cost was paid by those directly benefited from the programs (\$2,355,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,547,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in 2006 from approximately \$9,539,000 to \$8,902,000, principally due to a decrease in grants in mental health due to the completion of the residential care facility. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$10,764,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Des Moines County completed the year, its governmental funds reported a combined fund balance of \$7.6 million, an increase of approximately \$843,000 over last year. The increase in fund balance is primarily attributable to a decrease in budgeted expenditures. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased. The ending fund balance showed an increase of \$873,000 from the prior year to \$4,975,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$4,033,000, a decrease of 18% from the prior year. This is attributed to the completion of a new residential care facility. The Mental Health Fund balance at year end increased by \$359,000 over the prior year to \$857,000.
- Secondary Roads Fund expenditures increased by \$588,000 from the prior year, due principally to an increase in equipment purchases and additional surfacing. The Secondary Roads Fund ending balance of \$827,000 is a decrease of \$447,000 over the prior year.
- The Debt Service Fund expenditures increased by \$139,000 due to the repayment of general obligation bonds. The Debt Service Fund ending balance of approximately \$5,000 is a decrease of \$7,000 over the prior year.
- The Capital Projects Fund expenditures increased by approximately \$93,000 as the County began to incur costs for the remodeling of the fourth floor of the Courthouse and for remodeling of the Conservation building.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County amended its budget 4 times. The amendments were made on September 13, 2005, November 17, 2005, March 14, 2006 and May 23, 2006 and increased revenues by \$682,902 for grants, charges for services, and miscellaneous revenues and increased expenditures by \$1,444,302 due to Bio-Terrorism grant, MCH Grant, GASA Grant, Narcotics Task Force Grant, and HAVA Grant and increased expenditures due to utilities, maintenance, data processing, GIS, bond, equipment and costs associated with 5 murder trials.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Des Moines County had approximately \$22 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$949,000, or 5%, over last year.

Capital Assets of Governmental Activities at Year End (Express in Thousands)		
	June 30,	
	2006	2005
Land	\$ 4,465	4,465
Construction in progress	521	3,275
Buildings and improvements	4,996	2,221
Equipment and vehicles	2,618	2,544
Infrastructure	9,070	8,216
Total	\$21,670	20,721

The County had depreciation expense of \$1,726,471 in FY06 and total accumulated depreciation of \$20,570,361 at June 30, 2006.

The County's fiscal year 2006 capital budget included \$3,045,700 for capital projects, principally for roadway construction, Big Hollow lake project and 4th floor remodeling in the Courthouse. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2006, Des Moines County had \$890,000 in general obligation capital loan notes outstanding compared to \$500,000 at June 30, 2005. Debt increased as a result of issuing general obligation bonds for improvements, remodeling and equipment for the Courthouse, and the improving of a geographic computer data base system suitable for automated mapping and facilities management.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Des Moines County's outstanding general obligation debt is significantly below its constitutional debt limit of \$92 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Des Moines County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's population continues to decline with an estimated percent change of 3.6% from April 1, 2000 to July 1, 2005 while the State's population increased 1.4%. Unemployment in the County now stands at 4.9 percent versus 5.6 percent a year ago. This compares with the State's unemployment rate of 3.5 percent and the national rate of 4.5 percent. Iowa non-farm employment rose to an all-time high of 1,520,200 jobs.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$26 million, a decrease of 4 percent from the final 2006 budget. Property tax and intergovernmental revenues are expected to lead this decrease. Des Moines County lowered property taxes due to a stronger ending fund balance.

Budgeted disbursements are expected to decrease by approximately \$912,521. This is due to budget cuts requested by the Board of Supervisors and the completion of the Cottonwood Care Facility. The County was awarded the Vision Iowa Grant and will be constructing bike trails and capital projects at Big Hollow.

If these estimates are realized, the County's budgetary operating balance is expected to remain unchanged.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Des Moines County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Des Moines County Auditor's Office, 513 N. Main Street, Burlington, Iowa 52601.

DES MOINES COUNTY

Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets	
Cash and pooled investments	\$ 8,683,852
Receivables:	
Property tax:	
Delinquent	58,758
Succeeding year	10,033,000
Interest and penalty on property tax	175,547
Accounts	53,838
Accrued interest	110,495
Due from other governments	677,432
Inventories	91,622
Capital assets (net of accumulated depreciation)	21,670,104
Total assets	<u>41,554,648</u>
Liabilities	
Accounts payable	1,356,359
Salaries and benefits payable	155,132
Accrued interest payable	5,455
Renter's deposits	1,200
Due to other governments	485,485
Deferred revenue:	
Succeeding year property tax	10,033,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	165,000
Compensated absences	287,754
Portion due or payable after one year:	
General obligation capital loan notes	725,000
Compensated absences	292,310
Total liabilities	<u>13,506,695</u>
Net Assets	
Invested in capital assets	21,670,104
Restricted for:	
Supplemental levy purposes	713,885
Mental health purposes	856,813
Secondary roads purposes	814,918
Debt service	4,710
Other purposes	522,683
Unrestricted	3,464,840
Total net assets	<u>\$ 28,047,953</u>

See notes to financial statements.

DES MOINES COUNTY

Statement of Activities
Year Ended June 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,804,368	1,506,557	85,812	-	(3,211,999)
Physical health and social services	2,206,847	127,463	930,706	-	(1,148,678)
Mental health	3,660,183	6,785	2,551,439	-	(1,101,959)
County environment and education	1,116,185	13,648	35,153	-	(1,067,384)
Roads and transportation	4,181,186	10,781	2,259,268	355,000	(1,556,137)
Government services to residents	909,642	664,830	329,411	-	84,599
Administration	4,687,272	25,324	-	-	(4,661,948)
Interest on long term debt	30,324	-	-	-	(30,324)
Non-program	135,546	-	-	-	(135,546)
Total	\$ 21,731,553	2,355,388	6,191,789	355,000	(12,829,376)
General Revenues:					
Property and other county tax levied for:					
General purposes					10,632,390
Debt service					132,092
Penalty and interest on property tax					156,747
State tax credits					496,156
Local option sales tax					1,342,717
Grants and contributions not restricted to specific purpose					214,585
Unrestricted investment earnings					498,297
Gain on sale of property and equipment					59,809
Miscellaneous					537,717
Total general revenues					14,070,510
Change in net assets					1,241,134
Net assets beginning of year, as restated (see note 12)					26,806,819
Net assets end of year					\$ 28,047,953

See notes to financial statements.

DES MOINES COUNTY

Balance Sheet
Governmental Funds
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<u>Assets</u>				
Cash and pooled investments	\$ 4,880,492	1,314,802	510,793	1,386,175
Receivables:				
Property tax:				
Delinquent	38,532	9,409	10,817	-
Succeeding year	6,814,000	1,664,000	1,377,000	-
Interest and penalty on property tax	175,547	-	-	-
Accounts	13,135	36,741	-	180
Accrued interest	110,282	-	-	-
Due from other funds	-	-	-	107,873
Due from other governments	671,084	4,332	-	-
Inventories	-	-	-	91,622
Total assets	\$ 12,703,072	3,029,284	1,898,610	1,585,850
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 457,614	124,050	13,488	733,022
Renters' deposits	-	-	-	-
Salaries and benefits payable	120,749	4,870	4,141	25,372
Due to other funds	10,181	-	97,692	-
Due to other governments	112,552	370,299	-	-
Deferred revenue:				
Succeeding year property tax	6,814,000	1,664,000	1,377,000	-
Other	213,146	9,311	10,744	-
Total liabilities	7,728,242	2,172,530	1,503,065	758,394
Fund balances:				
Reserved for:				
Supplemental levy purposes	716,181	-	-	-
Hawk - I Medicaid administration	13,453	-	-	-
Debt service	-	-	-	-
Cemetery levy	237	-	-	-
Unreserved, reported in:				
General fund	4,244,959	-	-	-
Special revenue funds	-	856,754	395,545	827,456
Capital projects fund	-	-	-	-
Total fund balances	4,974,830	856,754	395,545	827,456
Total liabilities and fund balances	\$ 12,703,072	3,029,284	1,898,610	1,585,850

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
4,710	471,788	115,092	8,683,852
-	-	-	58,758
178,000	-	-	10,033,000
-	-	-	175,547
-	-	3,782	53,838
-	-	213	110,495
-	-	-	107,873
-	-	2,016	677,432
-	-	-	91,622
182,710	471,788	121,103	19,992,417

-	23,754	4,431	1,356,359
-	-	1,200	1,200
-	-	-	155,132
-	-	-	107,873
-	-	2,634	485,485
178,000	-	-	10,033,000
-	-	-	233,201
178,000	23,754	8,265	12,372,250

-	-	-	716,181
-	-	-	13,453
4,710	-	-	4,710
-	-	-	237
-	-	-	4,244,959
-	-	112,838	2,192,593
-	448,034	-	448,034
4,710	448,034	112,838	7,620,167
182,710	471,788	121,103	19,992,417

DES MOINES COUNTY

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2006

Total governmental fund balances (page 13)	\$ 7,620,167
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$42,240,466 and the accumulated depreciation is \$20,570,362.	21,670,104
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	233,201
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Long-term liabilities, including compensated absences payable and accrued interest payable are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(1,475,519)</u>
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Net assets of governmental activities (page 11)	\$ <u>28,047,953</u>
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DES MOINES COUNTY

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 7,500,375	1,667,517	1,469,313	-
Local option sales tax	402,815	-	268,543	671,359
Interest and penalty on property tax	130,631	-	-	-
Intergovernmental	3,490,239	2,630,247	61,889	2,284,986
Licenses and permits	41,091	-	-	1,749
Charges for service	962,385	-	1,878	53
Use of money and property	516,403	-	-	-
Miscellaneous	427,600	94,138	-	26,440
Total revenues	13,471,539	4,391,902	1,801,623	2,984,587
Expenditures:				
Operating:				
Public safety and legal services	4,542,525	-	149,579	-
Physical health and social services	2,067,305	-	-	-
Mental health	-	3,629,867	-	-
County environment and education	669,098	-	346,328	-
Roads and transportation	-	-	21,560	4,312,824
Governmental services to residents	886,375	-	-	-
Administration	4,629,665	-	48,803	-
Non-program	12,750	-	-	-
Debt service	-	-	-	-
Capital projects	30,566	402,882	450	440,007
Total expenditures	12,838,284	4,032,749	566,720	4,752,831
Excess (deficiency) of revenues over (under) expenditures	633,255	359,153	1,234,903	(1,768,244)
Other financing sources (uses):				
Sale of capital assets	-	-	-	26,800
Operating transfers in	508,353	-	-	1,294,470
Operating transfers out	(268,459)	-	(1,172,298)	-
General obligation capital loan notes issued, net of \$7,000 discount	-	-	-	-
Total other financing sources (uses)	239,894	-	(1,172,298)	1,321,270
Net change in fund balances	873,149	359,153	62,605	(446,974)
Fund balances beginning of year, as restated (see note 12)	4,101,681	497,601	332,940	1,274,430
Fund balances end of year	\$ 4,974,830	856,754	395,545	827,456

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
132,092	-	-	10,769,297
-	-	-	1,342,717
-	-	-	130,631
5,866	-	35,153	8,508,380
-	-	-	42,840
-	-	8,041	972,357
1,844	-	8,968	527,215
-	-	49,981	598,159
139,802	-	102,143	22,891,596

-	-	13,448	4,705,552
-	-	-	2,067,305
-	-	-	3,629,867
-	-	-	1,015,426
-	-	-	4,334,384
-	-	22,926	909,301
-	-	-	4,678,468
-	-	-	12,750
140,324	-	-	140,324
-	92,760	107,863	1,074,528
140,324	92,760	144,237	22,567,905
(522)	(92,760)	(42,094)	323,691

-	-	-	26,800
900	135,353	10,034	1,949,110
(500,438)	-	(7,915)	(1,949,110)
493,000	-	-	493,000
(6,538)	135,353	2,119	519,800
(7,060)	42,593	(39,975)	843,491
11,770	405,441	152,813	6,776,676
4,710	448,034	112,838	7,620,167

DES MOINES COUNTY

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year Ended June 30, 2006

Net change in fund balances - total governmental funds (page 15) \$ 843,491

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,506,019	
Depreciation expense	<u>(1,726,471)</u>	779,548

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 33,009

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(4,834)	
Other	<u>26,116</u>	21,282

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	(500,000)	
Repaid	<u>110,000</u>	(390,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(57,264)	
Interest on long-term debt	<u>11,068</u>	<u>(46,196)</u>

Change in net assets of governmental activities (page 12) \$ 1,241,134

DES MOINES COUNTY

Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2006

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,172,737
Other County officials	194,754
Receivables:	
Property tax:	
Delinquent	156,433
Succeeding year	32,891,000
Accounts	36,866
Special assessments:	
Current	73,250
Future	112,995
Drainage assessments:	
Current	2,079
Accrued interest	195
Due from other governments	31,607
Total assets	<u>36,671,916</u>

Liabilities

Accounts payable	4,106
Salaries and benefits payable	8,114
Due to other governments	36,469,337
Trusts payable	91,392
Compensated absences	98,967
Total liabilities	<u>36,671,916</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

DES MOINES COUNTY

Notes to Financial Statements June 30, 2006

Note 1 – Summary of Significant Accounting Policies

Des Moines County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Des Moines County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission, Des Moines County Regional Solid Waste Commission, Des Moines County Joint E-911 Service Board, South Iowa Area Crime Commission and Southeast Iowa Regional Planning Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County and the City of Burlington.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor special revenue funds.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued)

June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represent remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued)

June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20 – 50
Improvements other than buildings	20 – 50
Infrastructure	10 – 65
Equipment	3 – 20
Vehicles	5 – 15

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is paid at 50% upon retirement if the retiree meets IPERS requirements. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts appropriated for the Narcotics Task Force and Geographic Information System (GIS) departments.

Note 2 – Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2006 the County had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
U.S. Treasury Bonds	\$515,311	Various dates

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,292,136 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Custodial Credit Risk. Linsco/Private Ledger, Financial Services is fully bonded, therefore there is no custodial credit risk for Drainage District #7's U.S. Treasury Bonds.

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 3 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 10,181
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>97,692</u>
Total		<u>\$107,873</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

Note 4 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: SEINT – To be forfeited funds	\$ 7,915
General	Debt Service	500,438
Special Revenue: Secondary Roads	General	122,172
	Special Revenue: Rural Services	1,172,298
Conservation Reserve	General	6,000
Special Deputy Reserve Unit	General	3,708
Transitional Apartments	General	326
Debt Service	General	900
Capital Projects	General	<u>135,353</u>
Total		<u>\$ 1,949,110</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,465,816	-	-	4,465,816
Construction in progress	3,275,042	520,080	(3,275,042)	520,080
Total capital assets not being depreciated	7,740,858	520,080	(3,275,042)	4,985,896
Capital assets being depreciated:				
Buildings	3,687,593	2,987,051	-	6,674,644
Improvements other than buildings	1,133,416	19,314	-	1,152,730
Equipment and vehicles	6,699,564	640,459	(401,040)	6,938,983
Infrastructure, road network	20,508,589	1,659,658	-	22,168,247
Infrastructure, other	319,966	-	-	319,966
Total capital assets being depreciated	32,349,128	5,306,482	(401,040)	37,254,570
Less accumulated depreciation for:				
Buildings	1,555,323	215,615	-	1,770,938
Improvements other than buildings	1,045,032	15,328	-	1,060,360
Equipment and vehicles	4,019,086	690,183	(388,549)	4,320,720
Infrastructure, road network	12,606,599	798,946	-	13,405,545
Infrastructure, other	6,399	6,400	-	12,799
Total accumulated depreciation	19,232,439	1,726,472	(388,549)	20,570,362
Total capital assets being depreciated, net	13,116,689	3,580,010	(12,491)	16,684,208
Governmental activities capital assets, net	\$ 20,857,547	4,100,090	(3,287,533)	21,670,104
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services			\$	202,149
Physical health and social services				34,903
Mental health				121,495
County environment and education				41,433
Roads and transportation				1,207,856
Governmental services to residents				341
Administration				114,756
Non-program				3,538
Total depreciation expense – governmental activities			\$	1,726,471

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 6 – Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 112,552</u>
Special Revenue:		
Mental Health	Services	370,299
Other Non-major	Services	<u>2,634</u>
		<u>372,933</u>
Total for governmental funds		<u>\$ 485,485</u>
Agency:		
County Assessor	Collections	\$ 1,321,442
Schools		18,063,170
Community Colleges		1,104,686
Corporations		13,608,562
Auto License and Use Tax		737,208
All Other		<u>1,634,269</u>
Total for agency funds		<u>\$ 36,469,337</u>

Note 7 – Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 500,000	522,800	1,022,800
Increases	500,000	554,458	1,054,458
Decreases	<u>110,000</u>	<u>497,194</u>	<u>607,194</u>
Balance end of year	<u>\$ 890,000</u>	<u>580,064</u>	<u>1,470,064</u>
Due within one year	<u>\$ 165,000</u>	<u>287,754</u>	<u>452,754</u>

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 7 – Changes in Long-Term Liabilities (Continued)

Notes Payable

A summary of the County's June 30, 2006 general obligation capital loan note indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.50 and 3.60%	\$ 165,000	32,527	197,527
2008	3.00 and 3.65	170,000	25,570	195,570
2009	3.25 and 3.70	180,000	20,210	200,210
2010	3.75	185,000	14,158	199,158
2011	3.80	<u>190,000</u>	<u>7,220</u>	<u>197,220</u>
Total		<u>\$ 890,000</u>	<u>99,685</u>	<u>989,685</u>

During the year ended June 30, 2006, the County issued \$500,000 in general obligation capital loan notes and retired \$110,000 of notes.

Note 8 – Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$408,467, \$392,464 and \$373,548, respectively, equal to the required contributions for each year.

Note 9 – Risk Management

Des Moines County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disaster. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 10 – Employee Health Insurance Plan

The County, in conjunction with the City of Burlington, Iowa, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRRA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is self insured up to a stop loss amount including aggregate of 125% of established covered claims and specific coverage with a \$75,000 attachment point. Coverage from an independent insurer is maintained for losses in excess of both the individual and aggregate stop loss amounts. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of Des Moines County/City of Burlington Health Care Plan was \$567,023 at June 30, 2006. The plan had unaudited claims expense (net of reinsurance reimbursements) of \$5,175,833 for the plan year ended June 30, 2006. The plan had an unaudited reserve for incurred but unpaid claims of \$773,873 at June 30, 2006.

Note 11 – Industrial Development Revenue Bonds

The County has issued a total of \$1,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Note 12 – Restatements

Beginning net assets for governmental activities has been restated to include one equipment item purchased in the fiscal year ended June 30, 2003 that was not recorded. The net book value of this item was \$136,800 at the beginning of the current fiscal year, as the cost was \$171,000 and accumulated depreciation is \$34,200 at June 30, 2005.

Beginning net assets for governmental activities and beginning balances of certain agency funds have also been restated to correctly record amounts due to the general basic fund from certain agency funds. At June 30, 2005, \$108,687 due from these agency funds were reported as received by the general basic fund and paid by the agency funds. However, the amount was not paid until July of 2005. At June 30, 2005, \$84,507 was due from county offices to the general fund, \$2 was due from the anatomical gift fund to the general fund, and \$24,178 was due from the auto license and use tax fund to the general fund.

(continued)

DES MOINES COUNTY

Notes to Financial Statements (Continued) June 30, 2006

Note 12 – Restatements (Continued)

		<u>Governmental Activities</u>
Net assets June 30, 2005, as previously reported		\$ 26,778,706
Capital asset restatement	\$ 136,800	
Restatement for amounts received from agency funds in July 2005	<u>(108,687)</u>	
Net restatement		<u>28,113</u>
Net assets July 1, 2005, as restated		<u>\$ 26,806,819</u>

Note 13 – Special Investigation

On June 28, 2006 a Special Investigative Report was issued by the independent auditors. The report identified misappropriated property tax receipts totaling \$11,106. The Deputy Treasurer responsible resigned immediately.

Note 14 – Pending Litigation

The County anticipates filing suit against Metzger Johnson Architects Inc. for faulty design and construction related to the building of the new residential care facility. The Board of Supervisors has approved the filing of a lawsuit, which demands approximately \$500,000.

The County Board of Supervisors have authorized the filing of a lawsuit against Mike Nelson Construction for the collapse of a sewer line and flooding of a newly built independent living apartment. The County seeks damages of approximately \$68,000.

DES MOINES COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds Required Supplementary Information Year Ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 12,115,623	-
Interest and penalty on property tax	133,636	-
Intergovernmental	8,790,366	-
Licenses and permits	42,819	-
Charges for services	894,862	-
Use of money and property	447,384	-
Miscellaneous	578,922	-
Total receipts	23,003,612	-
Disbursements:		
Public safety and legal services	4,737,542	-
Physical health and social services	2,014,742	-
Mental health	4,203,089	-
County environment and education	1,001,114	-
Roads and transportation	3,808,533	-
Governmental services to residents	895,894	-
Administration	4,461,743	-
Non-program	147,178	-
Capital projects	634,487	-
Total disbursements	21,904,322	-
Excess (deficiency) of receipts over (under) disbursements	1,099,290	-
Other financing sources net	26,800	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,126,090	-
Balance beginning of year	7,171,531	-
Balance end of year	\$ 8,297,621	-

See accompanying independent auditors' report

Net	Budgeted Amounts		Final to Actual
	Original	Final	Net Variance
12,115,623	11,824,848	11,824,848	290,775
133,636	149,500	149,500	(15,864)
8,790,366	10,290,174	10,290,174	(1,499,808)
42,819	30,130	30,130	12,689
894,862	819,855	819,855	75,007
447,384	246,183	246,183	201,201
578,922	1,596,135	1,596,135	(1,017,213)
23,003,612	24,956,825	24,956,825	(1,953,213)
4,737,542	4,784,487	5,038,745	301,203
2,014,742	2,478,928	2,641,366	626,624
4,203,089	4,754,226	4,754,226	551,137
1,001,114	1,840,637	1,882,857	881,743
3,808,533	3,725,007	4,121,470	312,937
895,894	779,773	1,007,773	111,879
4,461,743	4,976,545	5,311,260	849,517
147,178	178,325	178,825	31,647
634,487	2,974,700	2,974,700	2,340,213
21,904,322	26,492,628	27,911,222	6,006,900
1,099,290	(1,535,803)	(2,954,397)	4,053,687
26,800	-	-	26,800
1,126,090	(1,535,803)	(2,954,397)	4,080,487
7,171,531	2,812,851	2,702,802	4,468,729
8,297,621	1,277,048	(251,595)	8,549,216

DES MOINES COUNTY

Budgetary Comparison Schedule - Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 23,003,612	(112,016)	22,891,596
Expenditures	21,904,322	663,583	22,567,905
Net	1,099,290	(775,599)	323,691
Other financing sources, net	26,800	466,200	493,000
Beginning fund balances	7,171,531	(6,328,040)	843,491
Ending fund balances	\$ 8,297,621	(6,637,439)	1,660,182

See accompanying independent auditors' report

DES MOINES COUNTY

Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents functions disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$1,418,594. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements in certain departments exceeded the amounts appropriated.

DES MOINES COUNTY

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
<u>Assets</u>			
Cash and pooled investments	\$ 21,896	327	5,346
Receivables:			
Accounts	-	-	-
Accrued interest	82	-	-
Due from other governments	2,016	-	-
Total assets	<u>\$ 23,994</u>	<u>327</u>	<u>5,346</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	\$ -	-	-
Renters' deposits	-	-	-
Due to other governments	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Unreserved	<u>23,994</u>	<u>327</u>	<u>5,346</u>
Total liabilities and fund equity	<u>\$ 23,994</u>	<u>327</u>	<u>5,346</u>

Transitional Apartments	Special Deputy Reserve Unit	Conservation Reserve	SEINT To Be Forfeited Funds	Total
4,177	1,405	32,159	49,782	115,092
15	1,000	-	2,767	3,782
-	-	-	131	213
-	-	-	-	2,016
4,192	2,405	32,159	52,680	121,103
1,176	255	3,000	-	4,431
1,200	-	-	-	1,200
49	-	2,585	-	2,634
2,425	255	5,585	-	8,265
1,767	2,150	26,574	52,680	112,838
4,192	2,405	32,159	52,680	121,103

DES MOINES COUNTY

Combined Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Intergovernmental	\$ -	-	8,294
Charges for service	8,041	-	-
Use of money and property	739	38	657
Miscellaneous	-	-	-
Total revenues	8,780	38	8,951
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	4,861	12,614	-
Capital projects	-	-	27,341
Total expenditures	4,861	12,614	27,341
Excess (deficiency) of revenues over (under) expenditures	3,919	(12,576)	(18,390)
Other financing sources (uses), net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	3,919	(12,576)	(18,390)
Fund balances beginning of year	20,075	12,903	23,736
Fund balances end of year	\$ 23,994	327	5,346

See accompanying independent auditors' report.

Transitional Apartments	Special Deputy Reserve Unit	Conservation Reserve	SEINT To Be Forfeited Funds	Total
-	-	26,859	-	35,153
-	-	-	-	8,041
6,785	-	-	749	8,968
107	11,890	-	37,984	49,981
6,892	11,890	26,859	38,733	102,143

-	13,448	-	-	13,448
5,451	-	-	-	22,926
-	-	80,522	-	107,863
5,451	13,448	80,522	-	144,237

1,441	(1,558)	(53,663)	38,733	(42,094)
326	3,708	6,000	(7,915)	2,119

1,767	2,150	(47,663)	30,818	(39,975)
-	-	74,237	21,862	152,813
1,767	2,150	26,574	52,680	112,838

DES MOINES COUNTY

Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<u>Assets</u>					
Cash and pooled investments					
County Treasurer	\$ -	3,678	938,490	344,048	20,736
Other County officials	194,754	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,084	2,503	99,122	5,950
Succeeding year	-	192,000	474,000	17,620,000	1,078,000
Accounts	228	-	-	-	-
Special assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 194,982	196,762	1,414,993	18,063,170	1,104,686
<u>Liabilities</u>					
Accounts payable	\$ -	-	71	-	-
Salaries and benefits payable	-	-	5,317	-	-
Due to other governments	103,590	196,762	1,321,442	18,063,170	1,104,686
Trusts payable	91,392	-	-	-	-
Compensated absences	-	-	88,163	-	-
Total liabilities	\$ 194,982	196,762	1,414,993	18,063,170	1,104,686

See accompanying independent auditors' report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
252,597	1,968	8,415	737,208	810,845	54,752	3,172,737
-	-	-	-	-	-	194,754
45,965	1,785	-	-	-	24	156,433
13,310,000	209,000	-	-	-	8,000	32,891,000
-	-	-	-	-	36,638	36,866
-	-	73,250	-	-	-	73,250
-	-	112,995	-	-	-	112,995
-	-	-	-	2,079	-	2,079
-	-	-	-	-	195	195
-	-	-	-	26,326	5,281	31,607
13,608,562	212,753	194,660	737,208	839,250	104,890	36,671,916
-	-	-	-	-	4,035	4,106
-	-	-	-	-	2,797	8,114
13,608,562	212,753	194,660	737,208	839,250	87,254	36,469,337
-	-	-	-	-	-	91,392
-	-	-	-	-	10,804	98,967
13,608,562	212,753	194,660	737,208	839,250	104,890	36,671,916

DES MOINES COUNTY

Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year,					
as restated (see note 12)	\$ 220,252	187,533	1,314,406	17,664,338	1,081,458
Additions:					
Property and other county tax	-	193,669	477,907	17,777,130	1,085,384
E-911 surcharge	-	-	-	-	-
State tax credits	-	8,775	22,592	814,517	49,583
Office fees and collections	761,925	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	892,501	-	-	-	-
Miscellaneous	1,050	-	1,267	12,247	-
Total additions	1,655,476	202,444	501,766	18,603,894	1,134,967
Deductions:					
Agency remittances:					
To other funds	269,351	-	-	-	-
To other governments	514,988	193,215	401,179	18,205,062	1,111,739
Trusts paid out	896,407	-	-	-	-
Total deductions	1,680,746	193,215	401,179	18,205,062	1,111,739
Balances end of year	\$ 194,982	196,762	1,414,993	18,063,170	1,104,686

See accompanying independent auditors' report

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
13,517,310	203,202	234,817	728,611	786,057	94,283	36,032,267
12,988,777	222,531	-	-	-	4,244	32,749,642
-	-	-	-	-	148,331	148,331
522,036	8,918	-	-	-	201	1,426,622
-	-	-	-	-	8,041	769,966
-	-	-	8,283,491	-	-	8,283,491
-	-	20,546	-	631,417	-	651,963
-	-	-	-	-	-	892,501
1,363	-	-	-	36,796	875,738	928,461
13,512,176	231,449	20,546	8,283,491	668,213	1,036,555	45,850,977
-	-	-	299,005	-	31	568,387
13,420,924	221,898	60,703	7,975,889	615,020	337,881	43,058,498
-	-	-	-	-	688,036	1,584,443
13,420,924	221,898	60,703	8,274,894	615,020	1,025,948	45,211,328
13,608,562	212,753	194,660	737,208	839,250	104,890	36,671,916

DES MOINES COUNTY

Schedule of Revenues By Source and Expenditures by Function -
All Governmental Funds
For the Last Four Years

		Modified Accrual Basis			
		2006	2005	2004	2003
Revenues:					
Property and other county tax	\$	10,769,297	10,642,839	9,198,165	9,125,951
Local option sales tax		1,342,717	1,363,326	1,365,240	1,325,959
Interest and penalty on property tax		130,631	115,554	182,952	138,048
Intergovernmental		8,508,380	8,913,042	7,763,991	8,602,070
Licenses and permits		42,840	43,784	43,085	45,752
Charges for service		972,357	827,429	892,684	894,786
Use of money and property		527,215	235,286	144,012	274,253
Miscellaneous		598,159	370,840	422,175	183,765
Total	\$	22,891,596	22,512,100	20,012,304	20,590,584
Expenditures:					
Operating:					
Public safety and legal services	\$	4,705,552	4,681,993	4,584,761	4,223,090
Physical health and social services		2,067,305	2,161,440	2,137,665	1,766,379
Mental health		3,629,867	3,200,582	3,334,802	3,786,227
County environment and education		1,015,426	975,386	852,565	903,868
Roads and transportation		4,334,384	3,339,170	3,235,696	3,903,168
Governmental services to residents		909,301	682,478	597,698	639,331
Administration		4,678,468	3,621,634	3,587,116	4,212,616
Non-program		12,750	-	-	-
Debt service		140,324	16,871	-	-
Capital projects		1,074,528	2,948,601	1,379,729	1,778,899
Total	\$	22,567,905	21,628,155	19,710,032	21,213,578

See accompanying independent auditors' report.

DES MOINES COUNTY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Commerce:			
Economic Development Administration:			
Grants for Public Works and Economic Development Facilities	11.300	05-01-03943	\$ 247,970
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		3,142
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		33,494
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	05-CF-010	35,804
U.S. Department of the Interior:			
Treasurer of the State:			
Payments in Lieu of Taxes	15.226		18,803
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575		12,800
Governor's Office of Drug Control Policy:			
Bryne Formula Grant Program	16.579		88,318
Iowa Division of Narcotics Enforcement:			
Edward Bryne State and Local Law Enforcement			
Discretionary Grant Program	16.580		68,684

(continued)

See accompanying independent auditor's report.

DES MOINES COUNTY

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 06-410, Task #11	2,158
State and Community Highway Safety	20.600	PAP 06-163, Task #20	664
State and Community Highway Safety	20.600	PAP 05-04, Task #24	118
			<u>2,940</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>40,437</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>9,646</u>
Foster Care - Title IV-E	93.658		<u>20,823</u>
Adoption Assistance	93.659		<u>5,130</u>
Medical Assistance Program	93.778		<u>53,590</u>
Social Services Block Grant	93.667		<u>26,011</u>
Social Services Block Grant	93.667		<u>210,210</u>
			<u>236,221</u>
Iowa Department of Public Health:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2006 TB18	<u>350</u>
Immunization Grants	93.268	58851406	<u>9,406</u>
Immunization Grants	93.268	58861406	<u>6,406</u>
			<u>15,812</u>
Southeast Iowa Area Agency on Aging:			
Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	93.043	IIID/ES Prev. Health	<u>8,933</u>

(continued)

DES MOINES COUNTY

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5885BT05	293,735
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5885BT11	521,487
			<u>815,222</u>
HIV Prevention Program	93.940	5885AP08	3,391
HIV Prevention Program	93.940	5886AP08	1,405
			<u>4,796</u>
Preventive Health and Health Services Block Grant	93.991	5885AP08	500
Preventive Health and Health Services Block Grant	93.991	5886AP08	1,429
			<u>1,929</u>
Maternal and Child Health Services Block Grant to the States	93.994	5885MC02	981
Washington County Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994	5886MH30	20,182
			<u>21,163</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Health:			
State Domestic Preparedness Equipment Support Program	97.004		3,840
Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		12,673
			<u>16,513</u>
Emergency Management Performance Grants	97.042		24,861
			<u>24,861</u>
Total			<u>\$ 1,787,381</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Des Moines County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 21, 2007. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Des Moines County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Des Moines County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Des Moines County and other parties to whom Des Moines County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and the assistance extended to us by personnel of Des Moines County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Theobald Donohue & Thompson, P.C.

Mt. Pleasant, Iowa
March 21, 2007



Theobald, Donohue & Thompson, P.C.

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Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Des Moines County:

Compliance

We have audited the compliance of Des Moines County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. Des Moines County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Des Moines County's management. Our responsibility is to express an opinion on Des Moines County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Des Moines County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Des Moines County's compliance with those requirements.

In our opinion, Des Moines County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Des Moines County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Des Moines County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Des Moines County and other parties to whom Des Moines County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Theobald Donohue & Thompson, P.C.

Mt. Pleasant, Iowa
March 21, 2007

DES MOINES COUNTY

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable condition in internal control over a major program was identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The major programs were as follows:
 - CFDA Number 11.300 – Grants for Public Works and Economic Development Facilities.
 - CFDA Number 93.283 – Centers for Disease Control and Prevention- Investigations and Technical Assistance.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Des Moines County did not qualify as a low-risk auditee.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- II-A-06 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Applicable
Office

One individual issues receipts, prepares deposits, records cash receipts, reconciles bank accounts, and opens mail. Also, a listing of money and checks received through the mail is not prepared and compared with the cash receipt records by an independent person.

Agricultural
Extension

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agricultural Extension official should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – With limited staff, we segregate responsibilities the best we can. With a small office it is sometimes hard to separate certain office functions.

Conclusion – Response accepted.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

- II-B-06 Compensated Time Off – Across the County, several different employment contracts control the method and exact calculation of earning and using compensated time off. Current County procedures provide that supervisors of the various departments are to review and approve the compensated time earned and used by their employees.

There were no contract provisions describing how compensated time, vacation, or sick hours earned should be calculated for the Emergency Management director.

There was no supervisory approval of compensated time in the Health department.

Recommendation – The County should centralize the accounting and review of compensated time earned and used to ensure accuracy of calculations and the uniform application of contract provisions. Contract provisions should be established for vacation, sick, and compensated time for the Emergency Management director. The Health department supervisor should review compensated time earned and used by her employees until the County centralizes the record keeping.

Response – The Auditor's Office has sent a request to every department to give an accounting of all compensatory time earned and used. This information will be put in each employee's history and will show on their pay stub.

An employment contract has been drafted for the Emergency Management Director. The contract must be checked by an attorney and approved by the Emergency Management Commission before going into effect.

The Director of Public Health has reminded her staff that any overtime they expect to be compensated for must be approved by her according to their labor contract.

Conclusion – Response accepted.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs Year Ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 93.283: Centers for Disease Control and Prevention – Investigations and Technical Assistance

Pass-through Agency Number: 5885BT05 and 5885BT11

Federal Award Year: 2006

U.S. Department of Health and Human Services

Passed through the Iowa Department of Public Health

III-A-06 Over-reimbursement of Fringe Benefit Expenses – Hourly fringe benefit cost calculations for personnel working under this award were incorrect and were not calculated consistently. Some calculated hourly fringe benefit amounts were too high, and others were too low. Since July 1, 2005 the over-reimbursement totals \$450. The Iowa Department of Public Health did not ask us to recalculate any over-reimbursements prior to July 1, 2005 after we contacted them. The amount has been repaid to the Department.

Recommendation – The County should use an accurate and consistent method to calculate hourly rates of County personnel for reimbursement from other entities.

Response – The person who is responsible for this billing has been instructed on the correct way to calculate the benefits and will do it properly in the future.

Conclusion – Response accepted.

REPORTABLE CONDITIONS:

No matters were reported.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted. Disbursements in the Narcotics Task Force and Geographic Information System departments exceeded the amounts appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County will amend appropriations on a timely basis.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – We noted business transactions between the County and a County employee. The employee was paid on a monthly basis.

<u>Name and Business Connection</u>	<u>Transaction Description</u>	<u>Total Amount</u>
Kathy Titus (Employee)	Cleaning Services/Supplies	\$ 17,700

These transactions may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Titus submitted a contract for services to a State agency and works at this job after her regular hours of employment for the County. The County does issue the check for the cleaning service but does so as a pass-through agent for the State agency.

Conclusion – Response accepted.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

DES MOINES COUNTY

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Deposits and Investments – We noted no instances of non-compliance with deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy.

IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

IV-J-06 Deficit Fund Balance – The E911 Surcharge Fund had a deficit balance during the fiscal year and at June 30, 2006.

Recommendation – The County should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – The revenue from telephone surcharges has been less than anticipated. The E911 Board is seeking solutions to resolve this matter.

Conclusion – Response accepted.

IV-K-06 E911 Services Board – The E911 Services Board exceeded the budget.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements exceeded the budget.

Response – The Auditor's office advised the Director of E911 that the budget needed to be amended. However, the fund was running in the red. The E911 Board approved claims exceeding the budgeted amount.

Conclusion – Response acknowledged. Claims should not be approved for payment when funds are not available.

DES MOINES COUNTY

Audit Staff

This audit was performed by:

Theobald, Donohue & Thompson, P.C.
Certified Public Accountants
Mt. Pleasant, Iowa

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